

CITY OF HARRISVILLE
Financial Statements - June 30, 2005
(With Auditors' Report Thereon)

CITY OF HARRISVILLE

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Governmental Funds Statements	
Balance Sheet	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
Proprietary Funds Statements	
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets	17
Statement of Cash Flows	18-19
Notes to Financial Statements	20-28
Required Supplemental Information	
Notes to Required Supplementary Information	29
Budgetary Comparisons - Major Governmental Funds	
General Fund	30-32
Supplemental Information	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	33
Independent Auditors' Legal Compliance Report	34
Schedule of Findings and Questioned Costs	35

Independent Auditors' Report

Honorable Mayor and City Council
City of Harrisville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrisville, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2005 on our consideration of the City of Harrisville's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crane, Christensen + Ambrose P.C.

September 23, 2005

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Harrisville City, Utah

Management's Discussion and Analysis

for fiscal year ending June 30, 2005

INTRODUCTION

The following is a discussion and analysis of Harrisville City's financial performance and activities for the fiscal year ending June 30, 2005. Beginning in fiscal year 2004, the City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements.

HIGHLIGHTS

Harrisville City completed construction of the new City Shop, located on Washington Blvd.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information.

The government-wide financial statements are comprised of: 1) the Statement of Net Assets, and 2) the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Over time, increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities).

Harrisville City's business type activities include sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach. The two types are 1) Governmental Funds and 2) Proprietary Funds.

Governmental Funds – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements.

Proprietary Funds – Harrisville City uses two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Harrisville City has three enterprise funds – sewer, garbage, and storm water. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund to account for its fleet activities. Because these services predominantly benefit government rather than business-type activities, they are included with *governmental activities* in the government-wide statements.

Differences between Government-Wide and Fund Statements

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The largest component of the City's net assets, 53.7 percent, reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 30.1 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 16.2 percent of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

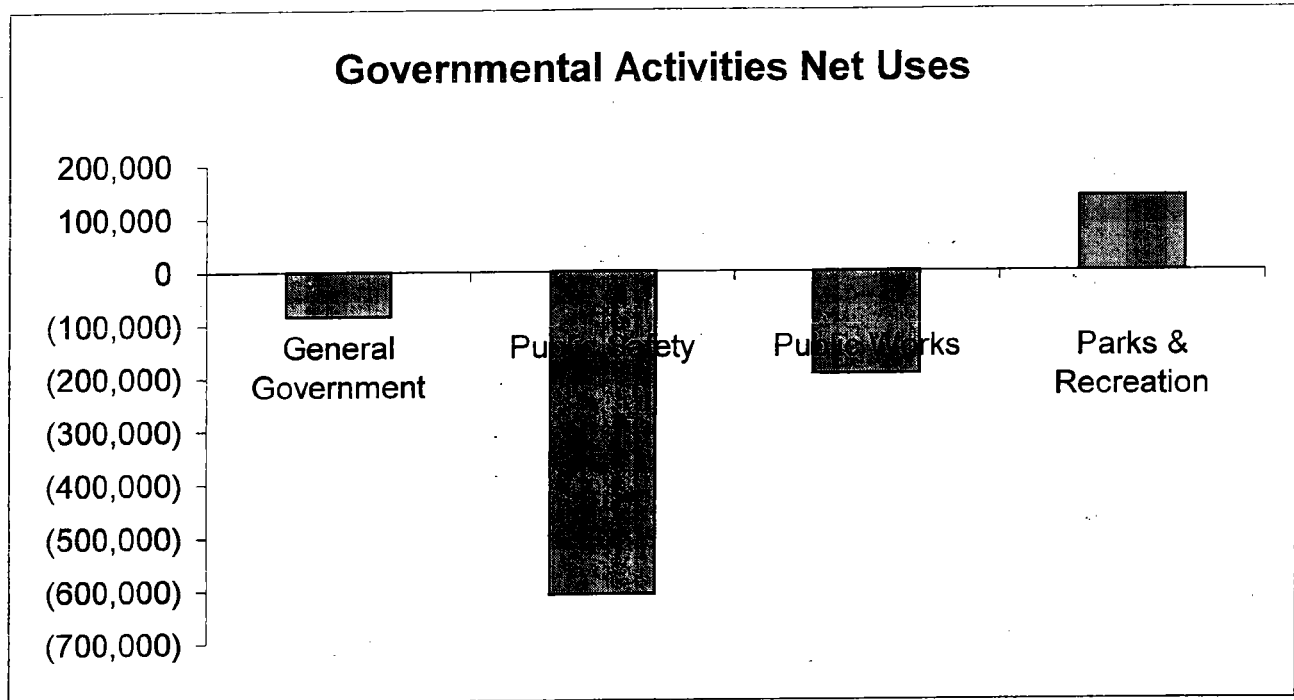
Harrisville City

Statement of Net Assets Comparative

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004
Current and Other Assets	1,662,712	1,617,098	877,402	756,131
Capital Assets (Net)	1,999,938	1,300,586	872,674	795,733
Total Assets	3,662,650	2,917,684	1,750,076	1,551,864
Liabilities	32,378	125,165	58,700	35,000
Total Liabilities	32,378	125,165	58,700	35,000
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,986,606	1,201,793	872,674	760,733
Restricted	1,165,689	1,150,535	437,691	440,216
Unrestricted	477,977	440,191	381,011	315,915
Total Net Assets	3,630,272	2,792,519	1,691,376	1,516,864

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$837,753 for the year. The following chart shows by percentage the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.



The table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$958,159 or 56.2 percent of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 43.8 percent of expenses.

<i>Activities</i>	<i>Total Program Expenses</i>	<i>Less Program Revenues</i>	<i>Net Program Costs</i>	<i>Program Revenues as a Percentage of Total Expense</i>
General Government	\$375,542	\$291,621	(\$83,921)	77.7%
Public Safety	\$806,477	\$198,183	(\$608,294)	24.6%
Public Works	\$471,035	\$276,798	(\$194,237)	58.8%
Parks & Recreation	\$51,874	\$191,557	139,683	369.3%
<i>Totals</i>	<i>\$1,704,928</i>	<i>\$958,159</i>	<i>(\$746,769)</i>	<i>56.2%</i>

Harrisville City

Changes in Net Assets Comparative

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004
Program Revenues				
Charges for Services	663,279	273,666	570,202	441,648
Operating Grants & Contributions	144,880	187,838		
Capital Grants & Contributions	150,000		91,000	
General Revenues				
Property Taxes	307,792	290,918		
Sales Tax	936,889	863,512		
Franchise Tax	256,151	192,944		
Other Revenues	83,690	263,423	9,110	12,076
Total Revenues	2,542,681	2,072,301	670,312	453,724
Expenses				
General Government	375,542	469,405		
Public Safety	806,477	1,038,544		
Public Works	471,035	1,018,789		
Parks & Recreation	51,874	57,912		
Public Utilities			495,800	341,520
Total Expenses	1,704,928	2,584,650	495,800	341,520
Increase in Net Assets before Transfers	837,753	-512,349	174,512	112,204
Change in Net Assets	837,753	-512,349	174,512	112,204
Net Assets Beginning	2,792,519	3,304,868	1,516,864	1,404,660
Net Assets Ending	3,630,272	2,792,519	1,691,376	1,516,864

Business-Type Activities

The business-type activities (sewer, storm-water, and garbage) are generating sufficient revenue to cover operating costs.

CAPITAL ASSETS AND LONG-TERM DEBT**Capital Assets**

Harrisville City added \$807,216 in new capital assets in governmental activities during the fiscal year. The City sold/wrote off \$91,019 in assets during the fiscal year.

Harrisville City added \$97,464 in new capital assets in business-type activities during the fiscal year - \$63,000 in Storm Water and \$34,464 in Sewer. The City did not sell or dispose of any capital assets in Storm Water, Sewer or Motor Pool.

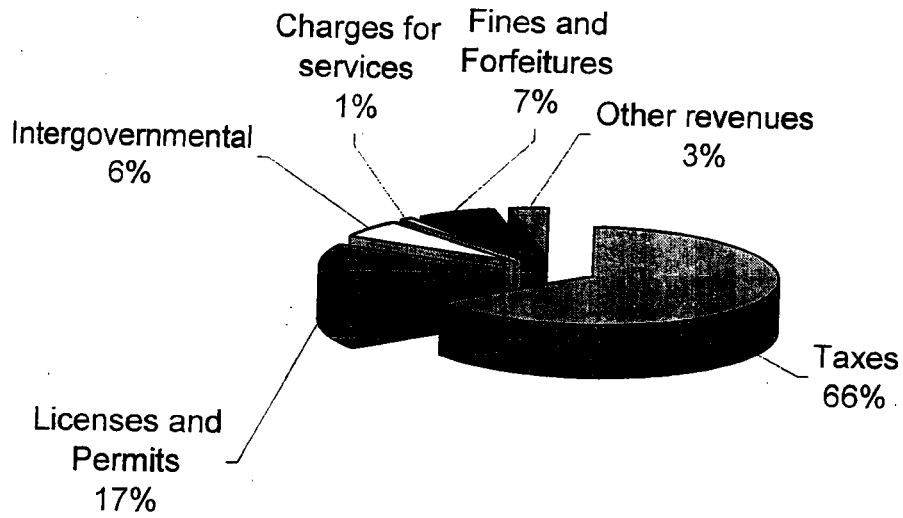
FINANCIAL ANALYSIS OF THE CITY'S FUNDS**Fund Balances**

At June 30, 2005, Harrisville City's governmental funds reported combined fund balances of \$1,530,689. Of this amount, \$949,747 or 62.0% is reserved for specific purposes and projects. The remaining \$580,942 or 38.0% is unreserved. Of this amount, \$365,000 is in the "rainy day" fund, and \$215,942 is in the Capital Projects Fund.

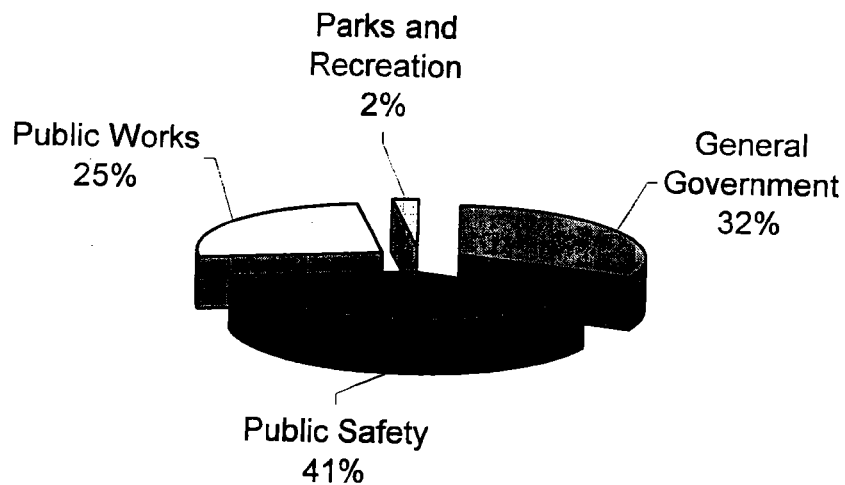
General Fund

During 2005, the fund balance in the general fund increased by \$37,999. Reserved funds increased by a total of \$5,972, and unreserved funds increased by a total of \$32,027. Taxes increased \$153,458, an 11.4% increase from the previous year with most of the increase being attributed to sales tax and franchise taxes. Total general fund revenue was up \$304,397 or 15.2%. Total general fund expenditures (excluding transfers and financing sources) were up \$208,153 or 12.1%.

General Fund Revenue Sources



General Fund Expenditures



General Fund Budgetary Highlights

Harrisville City prepares its budget according to state statutes. The most significant budget is the General Fund. The City amended the General Fund budget one time during the year to meet the needs of the departments as issues arose. The budget was increased by \$94,200. This increase was necessary to cover increases in Judicial, Police, Non-Departmental and Parks/Recreation for a variety of reasons.

Actual General Fund revenues were \$347,711 or 17.8% above the original budget and \$253,511 or 12.4% above the final budget. Actual expenditures were \$82,077 or 4.1% below the original budget and \$176,277 or 8.4% below the final budget. The City was not required to draw upon existing fund balance in the General Fund this year to cover its expenditures.

Capital Projects Fund

Harrisville City amended the Capital Projects budget one time during the year. The budget was increased by \$50,000 to cover expenses related to the construction of the City Shop.

During the fiscal year, the fund balance in the Capital Projects Fund increased \$21,124. The General Fund made a transfer of \$338,356 to the Capital Projects Fund during the year. The Capital Projects Fund had expenditures of \$319,083 for expenses related to the construction of the new City Shop.

Enterprise Funds

The combined change in net assets of the enterprise funds shows an increase of \$174,512 or 11.6% from the previous year.

OTHER MATTERS

Current and Future Projects

In the next fiscal year, there are no anticipated significant projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Harrisville City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to:

Lynn Fortie
Treasurer
363 W. Independence Blvd.
Harrisville, UT 84404

CITY OF HARRISVILLE

Statement of Net Assets

June 30, 2005

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 1,513,572	853,120	2,366,692
Accounts receivable	133,712	24,282	157,994
Prepays	15,428	-	15,428
Capital assets:			
Land and related non-depreciable assets	556,250	-	556,250
Depreciable infrastructure	150,000	-	150,000
Buildings, equipment, and other depreciable assets	1,701,319	1,167,085	2,868,404
Less accumulated depreciation	(407,631)	(294,411)	(702,042)
Total capital assets	<u>1,999,938</u>	<u>872,674</u>	<u>2,872,612</u>
Total assets	<u>3,662,650</u>	<u>1,750,076</u>	<u>5,412,726</u>
Liabilities:			
Bonds payable	-	35,000	35,000
Leases payable	13,332	-	13,332
Impact fees payable	-	23,700	23,700
Accounts payable and accrued liabilities	3,443	-	3,443
Compensated absences	<u>15,603</u>	<u>-</u>	<u>15,603</u>
Total liabilities	<u>32,378</u>	<u>58,700</u>	<u>91,078</u>
Net assets:			
Invested in capital assets, net of related debt	1,986,606	872,674	2,859,280
Restricted for:			
Storm water	-	437,691	437,691
Class C roads	393,289	-	393,289
Park development	480,393	-	480,393
Fire impact	76,065	-	76,065
Capital projects	215,942	-	215,942
Unrestricted	<u>477,977</u>	<u>381,011</u>	<u>858,988</u>
Total net assets	<u>\$ 3,630,272</u>	<u>1,691,376</u>	<u>5,321,648</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Activities

Year Ended June 30, 2005

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 375,542	291,621	-	-
Public safety	806,477	180,101	18,082	-
Public works	471,035	-	126,798	150,000
Parks and recreation	51,874	191,557	-	-
Total governmental activities	<u>1,704,928</u>	<u>663,279</u>	<u>144,880</u>	<u>150,000</u>
Business-type:				
Public utilities	495,800	570,202	-	91,000
Total business-type activities	<u>495,800</u>	<u>570,202</u>	-	<u>91,000</u>
Total primary government	<u>2,200,728</u>	<u>1,233,481</u>	<u>144,880</u>	<u>241,000</u>

General revenues:

Property tax

Sales tax

Franchise tax

Total taxes

Other general revenues:

Miscellaneous

Transfers - internal activities

Total other general revenues

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
(83,291)	-	(83,291)
(608,294)	-	(608,294)
(194,237)	-	(194,237)
<u>139,683</u>	<u>-</u>	<u>139,683</u>
<u>(746,769)</u>	<u>-</u>	<u>(746,769)</u>
<u>-</u>	<u>165,402</u>	<u>165,402</u>
<u>-</u>	<u>165,402</u>	<u>165,402</u>
<u>(746,769)</u>	<u>165,402</u>	<u>(581,367)</u>
307,792	-	307,792
936,889	-	936,889
<u>256,151</u>	<u>-</u>	<u>256,151</u>
<u>1,500,832</u>	<u>-</u>	<u>1,500,832</u>
83,690	9,110	92,800
<u>83,690</u>	<u>9,110</u>	<u>92,800</u>
<u>1,584,522</u>	<u>9,110</u>	<u>1,593,632</u>
837,753	174,512	1,012,265
<u>2,792,519</u>	<u>1,516,864</u>	<u>4,309,383</u>
<u>\$ 3,630,272</u>	<u>1,691,376</u>	<u>5,321,648</u>

CITY OF HARRISVILLE

Balance Sheet
Governmental Funds

June 30, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 1,169,050	215,942	1,384,992
Accounts receivable (note 3)	133,712	-	133,712
Prepaid items	<u>15,428</u>	<u>-</u>	<u>15,428</u>
	<u>\$ 1,318,190</u>	<u>215,942</u>	<u>1,534,132</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 3,443	-	3,443
Deposits	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,443</u>	<u>-</u>	<u>3,443</u>
Fund balances:			
Fund balance reserved for: (note 1)			
Class C roads	393,289	-	393,289
Park development	480,393	-	480,393
Fire impact	76,065	-	76,065
Fund balance unreserved	<u>365,000</u>	<u>215,942</u>	<u>580,942</u>
Total fund balances	<u>1,314,747</u>	<u>215,942</u>	<u>1,530,689</u>
	<u>\$ 1,318,190</u>	<u>215,942</u>	<u>1,534,132</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total fund balance - governmental funds		\$ 1,530,689
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. These assets consist of:		
Land and related non-depreciable assets	\$ 556,250	
Depreciable infrastructure	150,000	
Buildings, equipment, and other depreciable assets	1,458,079	
Accumulated depreciation	<u>(330,557)</u>	
Total capital assets		1,833,772
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets.		281,414
Some general liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	<u>(15,603)</u>	
Total long-term debt		<u>(15,603)</u>
Total net assets - governmental activities		\$ <u>3,630,272</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,500,832	-	1,500,832
Licenses and permits	398,174	-	398,174
Intergovernmental	144,880	-	144,880
Charges for services	25,407	-	25,407
Fines and forfeitures	157,414	-	157,414
Other revenues	78,504	2,577	81,081
Total revenues	<u>2,305,211</u>	<u>2,577</u>	<u>2,307,788</u>
Expenditures:			
Current:			
General government	610,574	-	610,574
Public safety	789,406	-	789,406
Public works	485,327	-	485,327
Parks and recreation	43,549	-	43,549
Capital outlay	-	319,809	319,809
Total expenditures	<u>1,928,856</u>	<u>319,809</u>	<u>2,248,665</u>
Excess (deficiency) of revenues over expenditures	<u>376,355</u>	<u>(317,232)</u>	<u>59,123</u>
Other financing sources (uses):			
Operating transfers in	-	338,356	338,356
Operating transfers out	(338,356)	-	(338,356)
Total other financing sources (uses)	<u>(338,356)</u>	<u>338,356</u>	<u>-</u>
Net changes in fund balances	37,999	21,124	59,123
Fund balances - beginning of year	<u>1,276,748</u>	<u>194,818</u>	<u>1,471,566</u>
Fund balances - end of year	<u>\$ 1,314,747</u>	<u>215,942</u>	<u>1,530,689</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

Net change in fund balance - total governmental funds	\$ 59,123
Amount reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures (\$572,083). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$53,337). Capital outlays exceeded depreciation for the period.	518,746
Entity-wide statements report contributions of capital assets from developers as revenue whereas government funds do not report such transactions as part of revenues.	150,000
Retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities	(4,093)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	46,214
Government funds report payments on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities	<u>67,763</u>
Changes in net assets of governmental activities	\$ <u>837,753</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Net Assets
Proprietary Funds

June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Assets:					
Cash	\$ 307,050	526,179	19,891	853,120	128,580
Accounts receivable	7,435	7,721	9,126	24,282	-
Improvements	965,418	201,667	-	1,167,085	-
Capital assets	-	-	-	-	243,240
Accumulated depreciation	(286,238)	(8,173)	-	(294,411)	(77,074)
Total assets	<u>993,665</u>	<u>727,394</u>	<u>29,017</u>	<u>1,750,076</u>	<u>294,746</u>
Liabilities:					
Bonds payable	35,000	-	-	35,000	-
Leases payable	-	-	-	-	13,332
Impact fees payable	23,700	-	-	23,700	-
Total liabilities	<u>58,700</u>	<u>-</u>	<u>-</u>	<u>58,700</u>	<u>13,332</u>
Net assets:					
Invested in capital assets, net of related debt	679,180	193,494	-	872,674	152,834
Restricted	-	437,691	-	437,691	-
Unrestricted	255,785	96,209	29,017	381,011	128,580
Total net assets	<u>\$ 934,965</u>	<u>727,394</u>	<u>29,017</u>	<u>1,691,376</u>	<u>281,414</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Operating revenues:					
Charges for services	\$ 120,091	76,894	189,270	395,255	71,408
Impact fees	21,795	145,990	-	167,785	-
Miscellaneous	7,162	-	-	7,162	10,876
Total operating revenues	<u>149,048</u>	<u>222,884</u>	<u>198,270</u>	<u>570,202</u>	<u>82,284</u>
Operating expenses:					
Personnel services	-	3,102	-	3,102	-
Contractual services	76,157	27,810	191,705	295,672	-
Materials and supplies	23,655	150,644	-	174,299	-
Depreciation	17,179	3,344	-	20,523	36,460
Total operating expenses	<u>116,991</u>	<u>184,900</u>	<u>191,705</u>	<u>493,596</u>	<u>36,460</u>
Operating income (loss)	<u>32,057</u>	<u>37,984</u>	<u>6,565</u>	<u>76,606</u>	<u>45,824</u>
Non-operating revenues (expenses):					
Interest revenue	6,592	1,744	774	9,110	2,610
Interest expense	(788)	(1,416)	-	(2,204)	(2,220)
Total non-operating revenues (expenses)	<u>5,804</u>	<u>328</u>	<u>774</u>	<u>6,906</u>	<u>390</u>
Income (loss) before contributions and transfers	<u>37,861</u>	<u>38,312</u>	<u>7,339</u>	<u>83,512</u>	<u>46,214</u>
Operating transfers in	-	-	-	-	-
Contributed capital - developers	<u>63,000</u>	<u>28,000</u>	<u>-</u>	<u>91,000</u>	<u>-</u>
Total contributions and transfers	<u>63,000</u>	<u>28,000</u>	<u>-</u>	<u>91,000</u>	<u>-</u>
Change in net assets	100,861	66,312	7,339	174,512	46,214
Net assets - beginning of year	<u>834,104</u>	<u>661,082</u>	<u>21,678</u>	<u>1,516,864</u>	<u>235,200</u>
Net assets - end of year	<u>\$ 934,965</u>	<u>727,394</u>	<u>29,017</u>	<u>1,691,376</u>	<u>281,414</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 148,799	223,083	196,332	568,214	71,408
Cash received from other activities	23,700	-	-	23,700	10,876
Cash payments for payroll and benefits	-	(3,102)	-	(3,102)	-
Cash payments for goods and services	(99,812)	(178,454)	(191,705)	(469,971)	-
Net cash provided by operating activities	<u>72,687</u>	<u>41,527</u>	<u>4,627</u>	<u>118,841</u>	<u>82,284</u>
Cash flows from investing activities:					
Interest earned on cash deposits	<u>6,592</u>	<u>1,744</u>	<u>774</u>	<u>9,110</u>	<u>2,610</u>
Net cash provided by investing activities	<u>6,592</u>	<u>1,744</u>	<u>774</u>	<u>9,110</u>	<u>2,610</u>
Cash flows from noncapital financing activities:					
Operating transfers in	-	-	-	-	-
Net cash provided by noncapital financing activities	-	-	-	-	-
Cash flows from capital and related financing activities:					
Contributions from developers	63,000	28,000	-	91,000	-
Acquisition of capital assets	(63,000)	(34,464)	-	(97,464)	(71,159)
Interest paid	(788)	(1,416)	-	(2,204)	(2,220)
Payment on debt	-	-	-	-	(18,510)
Net cash used for capital and related financing activities	<u>(788)</u>	<u>(7,880)</u>	<u>-</u>	<u>(8,668)</u>	<u>(91,889)</u>
Net increase (decrease) in cash and cash equivalents	78,491	35,391	5,401	119,283	(6,995)
Cash and cash equivalents - beginning of year	<u>228,559</u>	<u>490,788</u>	<u>14,490</u>	<u>733,837</u>	<u>135,575</u>
Cash and cash equivalents - end of year	<u>\$ 307,050</u>	<u>526,179</u>	<u>19,891</u>	<u>853,120</u>	<u>128,580</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Cash Flows - Continued
Proprietary Funds

Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 32,057	37,984	6,565	76,606	45,824
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	17,179	3,344	-	20,523	36,460
(Increase) decrease in accounts receivable	(249)	199	(1,938)	(1,988)	-
Increase in impact fee payable	<u>23,700</u>	<u>-</u>	<u>-</u>	<u>23,700</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 72,687</u>	<u>41,527</u>	<u>4,627</u>	<u>118,841</u>	<u>82,284</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Harrisville was incorporated April 19, 1962 as a township and became a city on January 30, 1964. The City operates under a traditional council/mayor form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of the City of Harrisville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Harrisville (the primary government). The City has no component units.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

Governmental Fund Types:

The City reports the following major governmental funds:

General fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Capital projects fund - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(1) Summary of Significant Accounting Policies - Continued

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates its sewer, storm drainage and garbage funds as enterprise funds. Each is considered a major proprietary fund.

Internal service fund - The internal service fund is used to account for the financing of goods and services provided by the motor pool to other departments or agencies of the City, or to other governments, on a cost-reimbursements basis.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the City of Harrisville Municipal Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, one supplemental amendment was made to the City's general fund budget in the amount of \$144,200.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(1) Summary of Significant Accounting Policies - Continued

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Sewer collection system	50 years
Equipment and machinery	5-15 years
Other improvements	10-30 years

F. Reservations of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "C" road revenue, park development and fire impact fees.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for the City of Harrisville are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2005 were \$184,110, of which \$84,110 were uninsured and uncollateralized.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(2) Deposits and Investments - Continued

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ <u>2,315,540</u>	54 days*	not rated

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

The City considers its accounts receivable to be substantially collectable and has therefor not recorded an allowance for doubtful accounts.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(4) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 334,560	221,690	-	556,250
Total	<u>334,560</u>	<u>221,690</u>	<u>-</u>	<u>556,250</u>
Capital assets being depreciated:				
Buildings	292,627	319,807	-	612,434
Other improvements	418,007	-	-	418,007
Equipment	463,411	30,586	(66,359)	427,638
Infrastructure	-	150,000	-	150,000
Total	<u>1,174,045</u>	<u>500,393</u>	<u>(66,359)</u>	<u>1,608,079</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,077)	(8,043)	-	(74,120)
Other improvements	(18,137)	(6,459)	-	(24,596)
Equipment	(255,272)	(38,835)	62,266	(231,841)
Total	<u>(339,486)</u>	<u>(53,337)</u>	<u>62,266</u>	<u>(330,557)</u>
Capital assets being depreciated, net	<u>834,559</u>	<u>447,056</u>	<u>(4,093)</u>	<u>1,277,522</u>
Governmental activity capital assets, net	<u>\$ 1,169,119</u>	<u>668,746</u>	<u>(4,093)</u>	<u>1,833,772</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Improvements	\$ 1,069,621	97,464	-	1,167,085
Total	<u>1,069,621</u>	<u>97,464</u>	<u>-</u>	<u>1,167,085</u>
Less accumulated depreciation for:				
Improvements	(273,888)	(20,523)	-	(294,411)
Total	<u>(273,888)</u>	<u>(20,523)</u>	<u>-</u>	<u>(294,411)</u>
Capital assets being depreciated, net	<u>795,733</u>	<u>76,941</u>	<u>-</u>	<u>872,674</u>
Business-type activities capital assets, net	<u>\$ 795,733</u>	<u>76,941</u>	<u>-</u>	<u>872,674</u>

Capital assets in the statement of net assets also includes the equipment and other depreciable assets, net of accumulated depreciation, for the internal service funds of \$166,166.

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 14,823
Public Safety	12,979
Public Works	17,210
Parks and Recreation	8,325
Depreciation on capital assets of the City's internal service funds is charged to the various functions based on their usage of assets	<u>36,460</u>
Total	<u>\$ 89,797</u>

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(5) Long-Term Debt

Long-term debt consists of the following:

General Obligation Bonds:

Long-term debt in the City's sewer fund as of June 30, 2005 is comprised of the following:

	<u>Interest Rate</u>	<u>Outstanding 6-30-04</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding 6-30-05</u>
Sewer Utility Fund:					
1969 \$150,000 sewer bond	4.5%	\$ 35,000	-	-	35,000

Annual requirements to amortize long-term debt as of June 30, 2005:

<u>Sewer Utility Fund</u>	<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2006	\$ 7,000	1,575	8,575
	2007	7,000	1,260	8,260
	2008	7,000	945	7,945
	2009	7,000	630	7,630
	2010	7,000	315	7,315
		<u>\$ 35,000</u>	<u>4,725</u>	<u>39,725</u>

Motor Pool Lease Obligations:

On July 2, 2002, the City's motor pool entered into a lease-purchase agreement for the purchase of two (2) 2002 Dodge Intrepid police vehicles. The terms of the agreement provide for four (4) annual payments of \$14,332, including interest at 4.75%, beginning on July 31, 2002. The balance of this contract at June 30, 2005 was \$25,734.

Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2005 are summarized as follows:

<u>Year ending June 30,</u>	<u>Police Vehicle Lease</u>
2006	\$ 14,332
Years thereafter	-
Total lease payments	14,332
Less amount representing interest	1,000
Present value of minimum lease payment	13,332
Less current portion	13,332
Portion of obligations under capital leases due after one year	<u>\$ -</u>

(6) Compensated Absences, Accumulated Unpaid Vacation, Personal Leave Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. Vacation and compensatory leave are recorded as an expenditure when used in governmental funds and as an expense when earned in proprietary funds and in the governmental-wide statements. A liability for unused vacation and compensatory leave is recorded in the governmental-wide statement of net assets.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(7) Retirement Plans

Plan Description

The City of Harrisville (City) contributes to the Local Governmental Contributory, Non-contributory and Public Safety Non-contributory, all cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Contributory System the City contributes a combined rate of 7.08% of covered salary, in the Non-contributory Retirement System the City is required to contribute 11.09% of its annual covered salary. In fiscal year 2005, the City contributed 19.08% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2005, 2004 and 2003 were as follows:

A. Local Governmental System - Contributory

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	2,067	2,189	2,168	Employer paid for employee contributions.
	2,439	2,047	1,691	Employer contributions.
	34,449	36,493	36,131	Salary subject to contributions.

B. Local Governmental System - Non-contributory

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	23,148	22,179	18,656	Employer contributions.
	208,730	230,556	214,684	Salary subject to retirement contributions.

C. Utah Public Retirement System - Public Safety

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	30,620	36,368	31,736	Employer paid contributions.
	160,691	223,940	228,393	Salary subject to retirement contributions.

D. 401(K) Plan

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	32,905	27,730	26,868	Employer paid for employee contributions.

(8) Inter-fund Transfers

Transfer from general fund	\$ (338,356)
Transfer to capital projects	338,356

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Administrator to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Business Administration Department and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City is to certify the tax rate to the County Auditor before June 22nd.

Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The above procedures are authorized by Utah Code Sections 10-6-109 through 10-6-135.

Property Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	1/1
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919	3/1
County treasurer to settle taxes charged and collected for previous year	59-2-1365	3/31
Budget officer shall prepare and file with council a tentative budget	10-6-111	1 st scheduled council meeting in May
County assessor delivers roll to county auditor	59-2-924	6/1
Tax commission reports value of Centrally Assessed Property to counties	59-2-802	6/1
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-2-924	6/1
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	6/1
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	6/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-2-924(3)	6/22

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2005

(9) Budgetary Accounting and Tax Calendar - Continued

Property Tax Calendar - Continued

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	6/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	9/17
County treasurer to mail tax notice	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/1
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

(10) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

(11) Risk Management

The City of Harrisville is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

(12) Departments Over Budget

The City had one department that overspent its budget for the year by \$727.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HARRISVILLE

Notes to Required Supplementary Information

June 30, 2005

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1 in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

CITY OF HARRISVILLE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2005

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales tax	\$ 850,000	944,200	936,889	(7,311)
Current year property taxes	240,000	240,000	251,565	11,565
Franchise tax	160,000	160,000	256,151	96,151
Delinquent prior years taxes	5,000	5,000	8,897	3,897
Fee in lieu	40,000	40,000	47,330	7,330
Total taxes	<u>1,295,000</u>	<u>1,389,200</u>	<u>1,500,832</u>	<u>111,632</u>
Licenses and permits:				
Park development fees	130,000	130,000	166,150	36,150
Business licenses	15,000	15,000	17,692	2,692
Building permits	90,000	90,000	118,148	28,148
Plan check fee	30,000	30,000	38,532	8,532
Building plan/development fees	10,000	10,000	34,231	24,231
Fire impact fees	15,000	15,000	23,421	8,421
Total licenses and permits	<u>290,000</u>	<u>290,000</u>	<u>398,174</u>	<u>108,174</u>
Intergovernmental:				
Class "C" roads	150,000	150,000	126,797	(23,203)
Seat belt grant	10,000	10,000	8,395	(1,605)
State liquor allotment	10,000	10,000	9,688	(312)
Total intergovernmental	<u>170,000</u>	<u>170,000</u>	<u>144,880</u>	<u>(25,120)</u>
Charges for services:				
Recreation and user fees	14,000	14,000	11,482	(2,518)
Park/cabin reservations	10,000	10,000	13,925	3,925
Total charges for services	<u>24,000</u>	<u>24,000</u>	<u>25,407</u>	<u>1,407</u>
Fines and forfeitures	<u>145,000</u>	<u>145,000</u>	<u>157,414</u>	<u>12,414</u>
Other revenues:				
Heritage Days celebration	6,000	6,000	3,283	(2,717)
Interest earned	12,500	12,500	28,007	15,507
Miscellaneous	15,000	15,000	41,214	26,214
Sale of assets	-	-	6,000	6,000
Total other revenues	<u>33,500</u>	<u>33,500</u>	<u>78,504</u>	<u>45,004</u>
Total revenues	<u>1,957,500</u>	<u>2,051,700</u>	<u>2,305,211</u>	<u>253,511</u>
 <u>Expenditures</u>				
<u>General government</u>				
Legislative:				
Salaries and benefits	14,622	14,622	14,611	11
Materials, supplies and services	6,900	6,900	6,133	767
	<u>21,522</u>	<u>21,522</u>	<u>20,744</u>	<u>778</u>
Judicial:				
Salaries and benefits	36,850	36,850	37,893	(1,043)
Materials, supplies and services	25,550	34,750	32,230	2,520
	<u>62,400</u>	<u>71,600</u>	<u>70,123</u>	<u>1,477</u>

CITY OF HARRISVILLE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2005

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>General government- continued</u>				
City Administration:				
Salaries and benefits	\$ 100,305	100,305	98,579	1,726
Materials, supplies and services	34,000	34,000	22,384	11,616
	<u>134,305</u>	<u>134,305</u>	<u>120,963</u>	<u>13,342</u>
Non-departmental:				
Materials, supplies and services	398,450	421,450	398,744	22,706
Total general government	<u>616,677</u>	<u>648,877</u>	<u>610,574</u>	<u>38,303</u>
<u>Public safety</u>				
Police service:				
Salaries and benefits	413,614	413,614	416,369	(2,755)
Materials, supplies and service	141,048	147,048	145,020	2,028
	<u>554,662</u>	<u>560,662</u>	<u>561,389</u>	<u>(727)</u>
Fire department:				
Salaries and benefits	-	-	-	-
Materials, supplies and services	192,507	192,507	183,759	8,748
	<u>192,507</u>	<u>192,507</u>	<u>183,759</u>	<u>8,748</u>
Building inspections:				
Salaries and benefits	18,442	18,442	18,672	(230)
Materials, supplies and services	30,960	30,960	25,586	5,374
	<u>49,402</u>	<u>49,402</u>	<u>44,258</u>	<u>5,144</u>
Total public safety	<u>796,571</u>	<u>802,571</u>	<u>789,406</u>	<u>13,165</u>
<u>Public works</u>				
Public works/maintenance:				
Salaries and benefits	257,854	257,854	260,423	(2,569)
Materials, supplies and services	347,958	347,958	224,904	123,054
	<u>605,812</u>	<u>605,812</u>	<u>485,327</u>	<u>120,485</u>
Total public works	<u>605,812</u>	<u>605,812</u>	<u>485,327</u>	<u>120,485</u>
<u>Parks and recreation</u>				
Parks and recreation:				
Salaries and benefits	13,873	13,873	9,710	4,163
Materials, supplies and services	28,000	34,000	33,839	161
	<u>41,873</u>	<u>47,873</u>	<u>43,549</u>	<u>4,324</u>
Total parks and recreation	<u>41,873</u>	<u>47,873</u>	<u>43,549</u>	<u>4,324</u>
Total expenditures	<u>2,060,933</u>	<u>2,105,133</u>	<u>1,928,856</u>	<u>176,277</u>
Excess (deficiency) of revenues over expenditures	<u>(103,433)</u>	<u>(53,433)</u>	<u>376,355</u>	<u>429,788</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Operating transfers (out)	\$ (113,443)	(163,443)	(338,356)	(174,913)
Use of fund balance	<u>216,876</u>	<u>216,876</u>	<u>-</u>	<u>(216,876)</u>
Total other financing sources (uses)	<u>103,433</u>	<u>53,433</u>	<u>(338,356)</u>	<u>(391,789)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	-	-	37,999	37,999
Fund balance - beginning of year	<u>1,276,748</u>	<u>1,276,748</u>	<u>1,276,748</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,276,748</u>	<u>1,276,748</u>	<u>1,314,747</u>	<u>37,999</u>



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
City of Harrisville, Utah

We have audited the financial statements of the City of Harrisville as of and for the year ended June 30, 2005, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Harrisville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Harrisville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, City Council and State agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen & Ambrose P.C.

September 23, 2005

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Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
City of Harrisville, Utah

We have audited the general purpose financial statements of the City of Harrisville for the year ended June 30, 2005 and have issued our report thereon dated September 23, 2005.

The City received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of Harrisville's financial statements.)

Seat Belt Grant (Department of Public Safety)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax limitations

Liquor Law Enforcement
Justice Court
B & C Road Funds
Other General Issues
Department of Commerce
Impact Fees and Other Development Fees

The management of the City of Harrisville is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion the City of Harrisville complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

Crane, Christensen & Ambrose P.C.

September 23, 2005

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CITY OF HARRISVILLE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The City had one department whose expenditures exceeded its budget.

QUESTIONED COSTS: None

RECOMMENDATION: We suggest the City monitor its expenditures so that budgetary limitations are not exceeded.

CITY'S REPLY: The difference was the result of year-end accounting adjustments that were not anticipated in time to amend the budget. The City will monitor this area more closely in the future.

PROGRAM: JUSTICE COURTS

FINDING: The City did not always remit funds to the State by the 10th of the month on two occasions during the year.

QUESTIONED COSTS: None

RECOMMENDATION: We suggest the City follow Utah Code by remitting all funds due to the State by the 10th of the month following the month in which they were collected.

CITY'S REPLY: The City will comply with this requirement in the future.